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11 **UNITED STATES DISTRICT COURT**
12 **DISTRICT OF NEVADA**

13 GERALD ARMSTRONG,
14 Plaintiff,

CASE NO. CV-N-97-00670 ECR (RAM)

15 vs.

**REPLY MEMORANDUM OF POINTS
AND AUTHORITIES OF DEFENDANT
RELIGIOUS TECHNOLOGY CENTER IN
SUPPORT OF MOTION TO DISMISS
COMPLAINT**

16 DAVID MISCAVIGE and CATHY
17 NORMAN, individuals; CHURCH OF
SCIENTOLOGY INTERNATIONAL, a
California corporation; the RELIGIOUS
18 TECHNOLOGY CENTER, a California
corporation; the SEA ORGANIZATION,
19 a California based unincorporated entity;
and the CHURCH OF SCIENTOLOGY
20 OF TEXAS, a Texas corporation,

21 Defendants.
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24 RTC adopts and incorporates the reply memorandum submitted by defendant CSI. In this reply
25 memorandum, RTC will only address Armstrong's factual allegations of personal jurisdiction over RTC
26 in this action. RTC relies upon and incorporates herein CSI's discussion of the legal principles governing
27 personal jurisdiction.

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Armstrong claims RTC maintains a substantial, continuous and systematic presence in Nevada through its own actions, and through the actions of three local churches — Church of Scientology of Nevada, Church of Scientology Creative Mission of Las Vegas, and Church of Scientology Mission of Las Vegas — which, Armstrong claims, are mere alter egos of RTC. The basis for his claim is that RTC owns certain trademarks and intellectual property of the Scientology religion, which, Armstrong alleges (albeit without stating the basis for his purported knowledge) it licenses to the three local Nevada churches. Armstrong also conclusorily states that RTC has continuous personal contact with the local churches, sends missions to the Nevada churches, and issues orders to them. As noted by CSI in its reply memorandum (at 10). Armstrong lacks competence to testify on these matters. Indeed, RTC did not even come into existence until after Armstrong resigned his non-management staff position with the Church of Scientology of California.

The facts are quite different. As stated in the reply declaration of RTC's President, Warren McShane:

1. RTC is separately incorporated, as are the local churches;
2. RTC has its own officers, directors, and employees, as do the local churches. There is no overlap among these individuals;
3. RTC maintains its own bank accounts, as do the local churches. RTC manages its own finances, as do the local churches. RTC exercises no control over the finances or bank accounts of the local churches;
4. The local churches are responsible for designating their own officers. RTC has no responsibility or role in the appointment of the officers and directors of the Nevada Churches;
5. The local churches are responsible for their own conduct and affairs;
6. RTC owns certain trademarks of the Scientology religion. It does not license these rights to the local Nevada churches. Rather, it licenses certain of these rights to CSI, which in turn sub-licenses certain of such rights to many local churches including the Nevada churches;
7. RTC conducts its activities in California. RTC does not maintain contact with the local Nevada churches;

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1 8. RTC was recognized as tax exempt by the Internal Revenue Service in 1993,
2 following a lengthy and exhaustive review of the activities and of the financial and other records of RTC
3 and all Scientology churches. The local Nevada churches also received *separate* letters of exemption from
4 the IRS, based upon their separate corporate status; and


5 9. In March, 1998, in response to the unlawful disclosure to the press of certain
6 documents relating to the IRS' granting of exemption in 1993, the IRS sent RTC a new letter reaffirming
7 its exempt status, "as a separate corporate entity," and acknowledging that exemption was granted following
8 an exhaustive review of RTC's activities and records.

9 This evidence shows that RTC does not engage in "continuous," "systematic," or
10 "substantial" activities in Nevada. In fact, it engages in no activities in Nevada. Nor do the facts support
11 Armstrong's conclusory alter ego allegations. As the IRS twice recognized, RTC is a separate legal entity,
12 with its own officers, directors, functions, assets, and finances, as are the local Nevada churches. There is
13 *no* basis to conclude that they are organized or administered as alter egos of RTC.

14 CONCLUSION

15 For the foregoing reasons, RTC respectfully requests that the motion for dismissal of this action be
16 GRANTED.

17 DATED this 26th day of June, 1998.

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